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WASHINGTON, D. C.

EUROPEAN MARKETS FOR UNITED STATES FATS AND OILS

By

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FOREWORD

The export market for American fats, oils, and oilseeds has assumed increasing significance. Production in the United States continues well in excess of domestic requirements, and technological developments are reducing the consumption of soap fats and drying oils. Surplus supplies have depressed the prices of animal fats to extremely low levels and placed a heavy burden on the price support programs for oilseeds and vegetable oils.

The major part of United States fats and oils consists of byproducts of other more important agricultural or nonagricultural industries. Butter, lard, tallow, greases, cottonseed oil, corn oil, fish oil, and tall oil, are leading cases in point. For this reason none of these products lend themselves to control measures which are usually adopted in gearing production to existing demand. At the same time the demand for most fats and oils is relatively inelastic so that a small surplus depresses prices sharply without a significant increase in per capita consumption. It is the combination of these two circumstances, namely, uncontrolled production and inelastic demand, that places a premium on the export market.

Western Europe is the large fat deficit area of the world, and provides the most important foreign outlet for surplus fats and oils from the United States. Accordingly, this project was undertaken in the interests of American farmers to gather up-to-date information on the Western European market and to promote American interests with leading importers and Government officials. The countries included are Spain, Italy, Switzerland, Austria, Western Germany, Denmark, the Netherlands, Belgium, France, and the United Kingdom. In general the approach has been to present the findings in terms of the export prospects for 1953. However, in so doing, a number of principles have been developed and summarized which will carry over into future years asbasic considerations in exporting fats and oils to Western Europe.

This project was carried out under the provisions of the Agricultural Marketing Act of 1945 by Paul E. Quintus, Head of the Fats and Oils Division. Mr. Quintus has previously published individual country circulars under this project for each of the countries visited. This report brings these together under one cover in a somewhat condensed form and sets out his main over-all observations. The possibilities of broadening the foreign market for other agricultural commodities are also being studied, and the findings are presented in circulars and reports published by the Foreign Agricultural Service, U.S. Department of Agriculture, Washington 25, D.C.

Joseph A. Becker, Chief
International Commodities Branch

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Appreciation is also expressed to the many government and business officials who gave generously of their time and information.

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INTRODUCTION

United States inedible tallows and greases, because of their cheapness in relation to other fats, are a bargain-buy for the European soap industry. Consequently, they are becoming increasingly important as a replacement for palm oil and other fats used in soap making. However, they tend to compete with our European market for edible fats.

Competition between different kinds of fats and oils for use in soap, and between soaps and non-soap detergents in the European cleanser market, must be taken into consideration in an over-all view of prospects for United States fats and oils sales to Europe.

Current European Outlook Optimistic

Exports of inedible tallow and greases to Europe can be expected to continue in 1953 at the 1952 rate of 337 million pounds. They may even increase. It must be remembered, however, that the non-soap detergents which have been introduced in most Western European countries, though not yet a serious threat, probably will compete significantly with United States tallows and greases in years to come.

Italy has been the largest European market for United States inedible tallows and greases in recent years, taking 111 million pounds in 1952. Tallows and greases from this country, with some coconut oil from other areas, have become the basis of the Italian soap industry. Prior to World War II, Italian manufacturers made their soap mainly from imported palm oils, low-grade olive oils, and inedible tallow imported from Argentina. At that time the tallow was higher in price than the palm oils, and olive oil refining techniques in Italy had not been fully developed. In recent years, the price situation has reversed, with United States tallow underselling and to a large extent replacing palm oils in soap. The same situation applies in varying degrees to most other countries in Western Europe and explains our growing export market in Europe for inedible animal fats.

A few plants in Europe are reported to be refining choice white grease and fancy tallows with the refined product used for edible purposes. To the extent that this is done it accounts for some of the demand for inedible fats, and interferes with possible lard and vegetable oil exports. Its significance is tempered only by the fact that the scale of such operations is believed to be small--probably not more than 5 percent of the total trade in inedible fats.

The role of United States tallow and greases has a direct effect on the future export demand for our edible vegetable oils. For example, with aggressive programs under way in Africa and elsewhere to improve the quality of palm oils, these oils can be used to a larger extent in margarine and cooking fat compounds as they are released from soap-making. And, of course, the development of non-soap detergents is likely to make further cuts in the soap market. All these factors, working in a kind of chain reaction, tend to circumscribe our fats and oils export possibilities and must be given weight in any measurement of total world supplies of fats and oils.

But there is a somewhat brighter side to the fats and oils export picture. United States fats and oils, taken as a whole, can continue to find a ready market in Europe if they compete price-wise and quality-wise with fats and oils originating elsewhere in the world.

This changed competitive situation stems mainly from the fact that world production has expanded so that Europe is not as dependent upon United States fats and oils as it used to be. It is not altogether the expansion of fats and oils production as such, because production has barely kept pace with population increases. But, a given quantity of fat now goes farther because synthetics and other technical developments have reduced the usage.

The German Market

In Western Germany, which is generally looked upon as the largest single market for surplus vegetable oils, actual dependence on the United States scarcely exists. Rather, Germany has adopted the policy of covering all vegetable oil requirements through trade agreements and on balance of payment accounts. There were 26 active country agreements including fats, oils, and oil-bearing materials in effect at the beginning of 1953. Under this system, dollar procurement becomes an exception to the rule and theoretically exists only when adequate supplies are not available in non-dollar areas. Lard and inedible animal fats from the United States have a good market in Germany because they represent the "exception" in respect to available supplies and because dollar prices are attractive. On the other hand the demand for oilseeds and vegetable oils from the United States for Germany's expanding margarine industry hinges on price and quality alone since adequate supplies of margarine materials are available from other sources. Here again, the situation in respect to Germany applies in varying degrees to most other countries of Western Europe.

United States vegetable oils and oilseeds face price competition sharpened by the fact that Europe can find other relatively abundant sources of supply. Such competition can be expected from China, for instance, but just how much is uncertain. Manchurian soybeans furnish a good illustration of how United States exporters must compete on a price and quality basis. United States soybeans are favored in the European market only if they compare favorably both in price and quality to the Manchurian beans. In the past several months there has been considerably less dissatisfaction in Europe with the quality of United States soybeans than was true in previous years.

There still is the problem of shortage of dollar exchange which is basic to the export volume. But the price and quality issue is equally fundamental, and in many cases it becomes the determining factor. Unfortunately the dollar shortage frequently results in involved transactions within a country or through third countries which add to the cost of the sale. When this happens, the dollar price must be lower than the equivalent soft currency price before it becomes strictly competitive.

Assuming that the United States can meet the competition of other producing areas on a price and quality basis, Europeans are likely to continue to prefer to buy our fats and oils--if they have the dollars. But again, it isn't all a matter of dollars. The profit motive comes in very strongly.

One of the best illustrations arises in connection with soybeans. European countries have tremendous crushing capacity, much of which has been modernized since the war with new solvent extraction equipment. At the same time, most of these plants are operating far below their capacity for lack of raw materials. Against this background, Europe is deficit in oilcake and meal. This set of circumstances results in a "natural" market for soybeans because they result in a large crushing operation for the mills relative to the quantity of oil produced. If these mills can sell the oil and meal at prices which leave an operating profit, they generally find ways of financing large scale dollar purchases. But no matter how many dollars are available, there is no interest in American soybeans when the crushing in Europe would result in an operating loss. This is essentially the situation which prevails this year. The oil must be sold in competition with other "soft" or liquid edible oils which are available from many sources, and the value of the meal has its limits fixed by supply and demand in world-wide competition.

The European Lard Market

The normal United States lard market in Europe is largely confined to the United Kingdom, Western Germany, and Austria. European lard consumption generally has declined, with countries other than the three mentioned being self-sufficient or having small export balances. Just how much lard we export in 1953 will depend mostly upon how much the British buy. The dollar problem is the big factor affecting sales to the United Kingdom. United States lard is in a favored position on a price basis in the European market.

There has been some indication that in the United Kingdom such dollars as are allocated to the Ministry of Food for imports of fats and oils will be used to import lard. No other fats and oils are being bought with dollars. The British have such a strong preference for lard as a cooking fat that they would probably hold to that preference even though imports were restricted for a time because of dollar shortage. Belief is that if fats and oils were decontrolled in the United Kingdom, at least as much lard would be imported as before the war.

Thus, while price and quality are frequently the determining export factors, the problem of selling lard to the United Kingdom is based squarely on the shortage of dollar exchange.

Table 1.--United States: Exports of lard, including rendered pork fat, by area and selected European countries of destination, average 1935-39, annual 1949-52

(Short tons)

Area and country of destination	Average 1935-39	1949	1950	1951 1/	1952 1/
North America	25,980	96,920	104,563	111,063	125,256
South America	3,912	23,604	11,430	12,046	21,582
Europe:					
Austria	2/	43,238	15,764	10,819	17,859
Belgium-Luxembourg ..	1,230	6,256	1,108	2,064	215
Czechoslovakia	827	-	26	-	-
France	15	3,461	3	1,812	164
Western Germany	2/ 1,268	59,327	63,260	15,744	47,907
Greece	1	10	-	13	3
Italy	354	3,592	1,106	1,044	224
Netherlands	165	5,085	16,753	24,158	24,592
Poland	20	4,452	521	-	-
Switzerland	109	2,855	1,709	1,667	1,088
United Kingdom	47,866	35,168	14	115,770	51,422
Yugoslavia	2	17,044	8,731	42,588	19,378
Other	967	4,824	2,475	301	4,363
Total Europe	52,824	185,312	111,470	215,980	167,215
Soviet Union	2	-	-	-	-
Asia	18	422	5,475	5,037	2,687
Africa	79	591	71	92	129
Australia & Oceania ..	3	-	24	35	3
Grand total	82,818	306,849	233,033	344,253	316,872

1/ Preliminary.
2/ Austria included with prewar Germany.

Source: Bureau of the Census.

AUSTRIA

The Austrian requirement for edible fats and oils is said to be about 125,000 short tons per year of which about 70,000 tons will be produced domestically during 1952-53 (July-June). The bulk of the domestic supply (46,000 tons) is pure hog fat, and most of the remainder (22,000 tons) is butter. Austrian vegetable oils, consisting mainly of rapeseed and pumpkin seed oils, are relatively unimportant.

Import requirements for consumption during 1953 are thus expected to be about 55,000 short tons. Of this, perhaps 25,000 tons may be lard and 30,000 tons in the oil equivalent of vegetable oils, oilseeds, and copra combined.

Vegetable oils

A large user of edible vegetable oils in Austria estimates that the import requirement for soft vegetable oils is from 13,000 to 14,000 tons annually. These oils are used for table and salad oils and for blending with hard oils, mainly coconut, in the production of margarine. Thus, from the standpoint of the United States, the maximum vegetable oil market under present circumstances is some part of 13,000 tons. Austria seems to have no objection to soybean oil for salad oils or margarine. But the soybean oil would still have to compete with assorted oils and oilseeds that are available to Austria from Western and Eastern Europe through trade agreements and balance-of-payment accounts. During 1952, for example, only 3,191 short tons of soybean oil were imported and just 357 tons came direct from the United States.

Lard

Lard is the predominant fat used in Austria for cooking and it is used also as a bread spread. Margarine holds a minor place compared with butter and lard. However, margarine sales are expected to expand now that an improved margarine, with skim milk and color added, is appearing on the market. This improved product will compete particularly with lard.

During the calendar year 1952, lard imports totaled 27,168 short tons with 15,033 tons recorded from the United States. Some United States lard may have entered in transit via third countries, but European lard was received from Hungary, Denmark, and other countries with which Austria has trade agreements. Even with imports from European sources, it appears reasonably certain that the United States is likely to be the origin of about 20,000 tons of lard in 1953 if the import program is carried out.

The Austrian Government has had a number of problems with respect to the quality of lard purchased from the United States. However, several corrective measures have been taken in regard to current procurement so that the problems may have been solved. New specifications have been adopted, and all rail cars from the ports are iced during warm weather. Food Ministry officials expressed the opinion, however, that contract specifications as a basis of procurement were not so satisfactory as the reputation of the seller. They questioned the low-bid method of procurement, and indicated they would prefer to place their contracts with producers of known brands, even at a higher price.

Soap fats

The soap industry in Austria reportedly uses about 11,000 short tons of soap fats annually, much of which is imported tallow and inedible animal oils. The 1953 import requirement appears to be around 5,500 tons, and the trade believes virtually all of this will come from the United States on a price basis. There is the possibility, however, that the increase in livestock slaughter in Austria will lead to the use of more domestic animal fats in soap despite the fact that domestic fats are higher in price, and that the soap manufacturers prefer to import their fats from the United States. There is growing pressure from domestic fat interests to sell to soapers, and if their efforts are successful they could at least reduce the present United States market in Austria.

Table 2.--United States: Exports of inedible animal tallow, greases, and oils, by area and selected European and Asiatic countries of destination, average 1935-39, annual 1949-52

(Short tons)

Area and country of destination	Average 1935-39	1949	1950	1951 1/	1952 1/
North America	3,257	44,928	51,968	56,173	61,570
South America	94	11,734	13,011	9,100	15,179
Europe					
Austria	2/	9,000	4,999	5,842	3,400
Belgium-Luxembourg	250	17,438	30,192	30,513	21,462
France	35	7,156	319	2,128	1,454
Western Germany	2/ 49	16,761	20,702	13,470	17,365
Ireland	1	694	1,254	3,273	2,969
Italy	154	33,912	46,476	47,568	55,252
Netherlands	682	10,107	13,516	5,436	26,452
Norway	49	2,871	3,435	974	1,960
Switzerland	56	4,702	17,758	8,366	16,971
United Kingdom	257	1,312	2,824	3,781	10,016
Yugoslavia	1	1,957	2,572	7,018	6,820
Other	115	9,820	2,234	2,910	4,149
Total	1,649	115,730	146,281	131,279	168,270
Asia:					
Japan	51	25,615	17,910	28,315	67,540
Other	54	6,273	15,032	14,505	17,483
Total	105	31,888	32,942	42,820	85,023
Australia & Oceania	48	20	2	-	1
Africa	9	11,848	23,601	28,850	43,708
Grand total	5,162	216,148	267,805	268,222	373,751

1/ Preliminary.
2/ Austria included with prewar Germany.

Source: Bureau of the Census.

Synthetic detergents are not important in Austria and no great expansion in their output is foreseen in the short run. Production of soap powders of various types, ranging from 10 to 40 percent fatty acids content, is estimated at 31,000 short tons annually. Synthetic detergent production may be about 2,000 tons. According to trade sources, there is little possibility of increasing sales of the synthetic products now available for dish washing and laundry soaking, and the introduction of heavy-duty synthetics, which might increase sales, is unlikely. They say that synthetics cost more than soap and offer no practical advantage since water in most of Austria is relatively soft.

Table 3.--United States: Exports of fish oil, by area and European countries of destination, average 1935-39, annual 1949-52

(Short tons)

Area and country of destination	Average 1935-39	1949	1950	1951 1/	1952 1/
North America	729	4,342	2,013	1,986	713
South America	96	8	60	110	38
Europe:					
Belgium-Luxembourg	8	2,100	20	282	8
France	19	57	47	1,162	149
Western Germany	126	5,646	5,645	6,050	5,134
Italy	15	20	7	14	220
Netherlands	15	5,354	20,705	6,024	11,967
Norway	10	-	-	4,514	-
Switzerland	15	110	8,891	4,027	3,140
Other	92	2	34	-	43
Total	300	13,289	35,349	22,073	20,661
Asia	90	1,669	565	751	566
Other	19	-	-	-	3
Grand total	1,234	19,308	37,987	24,920	21,981

1/ Preliminary.

Source: Bureau of the Census.

BELGIUM

Belgium imports substantial quantities of fats, oils, and oilseeds for processing and re-export, as well as for domestic use. Virtually all the domestic requirements for margarine oils, salad oils, and technical tallows are supplied by imports. And butter imports are also important, for in Belgium, unlike most countries of the area, butter consumption exceeds margarine consumption by a wide margin. Lard is exported on balance.

Inedible animal fats

Import requirements for technical tallows and greases appear to be around 16,500 short tons annually for soapmaking and other purposes. In recent years the United States has been the source of almost all of Belgium's imports of inedible animal fats, and it will probably retain this market during 1953. The actual quantity imported for domestic use varies with the yield of vegetable acid oils obtained from refining, and in the future may be affected by the expansion of non-soap detergents. Synthetics, which were introduced into Belgium about a year ago, have not resulted in a noticeable reduction in soap sales thus far but another 4 or 5 years' competition from synthetics could be of real significance. Future price relationships between tallow and palm oils are another determining factor. At present, tallow is said to have replaced palm oil in soap. This development affords an example of how low-priced inedible fats from the United States compete in the world market with, say, soybean oil, for palm oil of improved quality (reduced acidity) is now being used to a greater extent in margarine.

Soybeans and oil

Belgium produced about 80,000 short tons of margarine during 1952 and used about 65,000 tons of margarine oils, principally coconut oil, palm oil, palm kernel oil and whale oil (including fish oils). Less than 6,000 tons of liquid vegetable oils are required for margarine. However, salad oils require about 22,000 tons, bringing total liquid oil requirements to roughly 28,000 tons. Among the liquid oils, there is a potential market for soybean oil on a strictly competitive basis. Soybean oil must compete in price with sunflower seed oil, cottonseed oil, sesame oil, and the like, and sell below peanut oil. Domestic rapeseed is of little consequence, and rapeseed imports have been negligible.

During 1952, Belgium imported over 23,000 short tons of soybeans, consisting of 18,942 short tons from the United States and 4,692 tons from China. This compares with total imports of 69,300 tons during 1951, made up of 36,300 tons from the United States, and 33,000 from China. There is a large potential market for American soybeans as long as the Belgian Government permits the use of dollars for raw materials that can be processed in Belgian plants. For example, during 1952 Belgium imported nearly 95,000 tons of Philippine copra and 11,000 tons of Philippine coconut oil, and exported some 37,400 tons of coconut oil, mainly to Western Germany. Belgian crushers indicated that they were similarly interested in processing soybeans for use and re-export. A more restrictive policy in respect to dollar allocations, however, would curtail this operation. And even with an allocation of dollars, there must be a processing profit in sight as a basis for such sales. Acordingly, the Belgian millers expressed considerable interest in learning how crushers were able to operate at a profit in the United States, and how Belgium could possible buy soybeans more cheaply in the United States. At the time of a recent purchase of soybeans from Manchuria, at the equivalent of about $108 per short ton, c.i.f., payable in Belgian francs, the best United States offer was $115, payable in dollars. It was claimed that oil and meal values in Europe then would not permit profitable crushing at more than $108 for U.S. soybeans with 3-percent admixture. Thus, further purchases from the United States are dependent upon some change in price relationships, as well as a continued flow of dollar allocations.

Belgium also imported 5,223 short tons of crude and degummed crude soybean oil during 1952 from the United States out of a total of 5,972 tons. This trade is based mainly on the possibility of re-exports of refined oil to other countries, and refiners said that they are reluctant to make further purchases until the United States crude and degummed crude oil standards are more clearly defined.

Table 4.--United States: Exports of soybeans and soybean oil, by area and selected European and Asiatic countries of destination, average 1935-39, annual 1949-52

Area and country of destination	Average 1937-39 1/	1949	1950	1951 2/	1952 2/
	Soybeans				
	1,000 bushels				
North America	1,259	2,437	4,140	4,829	4,670
Europe:					
Austria	3/	-	-	-	-
Belgium-Luxembourg	15	572	752	1,323	790
Denmark	606	2,280	1,595	-	888
France	52	1,474	2,338	1,795	95
Western Germany	3/ 60	6,969	3,279	309	1,199
Italy	4/	852	372	-	4/
Netherlands	2,006	1,760	1,037	1,737	2,678
Spain	-	-	-	-	-
Switzerland	-	111	18	73	-
United Kingdom	59	4/	-	-	37
Other	735	488	292	567	778
Total	3,533	14,506	9,683	5,804	6,465
Asia:					
Japan	-	5,839	4,722	11,768	8,744
Other	4/	104	565	2,044	3,476
Total	4/	5,943	5,287	13,812	12,220
Africa	1	475	4/	162	4/
Grand total	4,793	23,361	19,110	24,607	23,355
	Soybean oil 5/				
	Av. 1935-39	Short tons			
North America	2,460	12,167	13,952	24,713	11,418
South America	151	1,461	1,340	3,742	7,620
Europe:					
Austria	-	13,939	7,582	8,530	696
Belgium-Luxembourg	-	5,091	3,278	5,808	3,520
Denmark	-	6/	13	-	270
France	-	3,438	82	3,004	-
Western Germany	-	47,850	69,865	17,063	22,861
Italy	2	37,278	16,036	53,961	9,092
Netherlands	-	10,318	7,468	19,651	34,001
Spain	-	28,894	22,912	72,641	-
Switzerland	50	4,249	2,665	3,526	7,661
United Kingdom	1	202	-	15,898	6,296
Other	200	17,655	2,978	15,840	1,719
Total	253	168,914	132,879	215,922	86,116
Asia:					
Japan	6/	-	6/	114	-
Other	27	2,942	3,595	4,344	4,281
Total	27	2,942	3,595	4,458	4,281
Australia & Oceania	21	51	12	4,488	37
Africa	322	2,709	327	4,552	235
Grand total	3,234	188,244	152,105	257,875	109,707

1/ Not separately classified prior to 1937.
2/ Preliminary.
3/ Austria included with prewar Germany.
4/ Less than 500 bushels.
5/ Crude and refined oil in terms of crude oil.
6/ Less than 0.5 ton.

Flaxseed

Dollar import operations and re-exports have also been important in the case of flaxseed and linseed oil. During 1952 Belgium imported about 123,000 short tons of flaxseed, including 25,866 tons from the United States and 66,094 tons from Canada, and exported 36,685 tons of linseed oil, mainly to Western Germany and Austria. It was consistently reported that United States prices for flaxseed are no longer competitive and further purchases are not in prospect this season.

The domestic demand for linseed oil is said to be less than half the prewar peak, largely because soybean and other fatty acids have replaced linseed oil in soft soap.

Crushing capacity

Total crushing capacity in Belgium is in excess of 500,000 short tons annually, with 300,000 tons solvent capacity. All soybeans are solvent extracted and all flaxseed and copra are expeller and hydraulic processed. Belgium has processed nearly 330,000 tons of oil-bearing materials in each of the past 2 years and has the distinction of being the only country in Western Europe that has used its equipment to more than 50 percent of capacity and has reached or exceeded the prewar volume of crushing. This is largely explained by the fact that rather liberal dollar procurement has been authorized for Philippine copra, Canadian flaxseed, and U.S. soybeans and flaxseed.

DENMARK

The outlook for exporting fats, oils, and oilseeds to Denmark is essentially limited to soybeans. There appears to be a potential demand for some 85,000 short tons of soybeans during 1953, with Manchuria and the United States sharing the market.

To the United States exporter of animal fats, Denmark is of interest as a competitor rather than as a potential market. Because of the size of the country and the limited scale of operations, exports are small by United States standards, but they are exceedingly important to Denmark.

Lard production in 1952 is estimated at 18,900 short tons compared with 19,700 tons in 1951. Denmark's lard exports, which go principally to Western Germany, Yugoslavia, and Austria, dropped from 13,413 tons in 1951 to 10,230 tons in 1952. The sharp fall in lard prices on the continent discouraged exports in 1952 and apparently resulted in some stock accumulation. Since lard is not particularly desired on the home market, reduced exports present a financial problem for the Danes.

The production of edible tallow and related products was around 2,000 short tons last year, and perhaps half was exported, mainly in the form of premier jus. A Danish law requires the use of domestic inedible animal fats in soap, and there is no import market in Denmark for technical animal fats. The law also limits the use of edible fats in soap.

Sales of non-soap detergents particularly in powdered form, have increased slowly since they were introduced 4 years ago. For example, in 1951, the last year for which records were available, production estimates included 9,790 short tons of soap powder, 7,260 tons of soap flakes, and less than 1,000 tons of non-soap detergent powder. That sales of synthetic powders have not expanded more rapidly is viewed by the trade with some surprise because Denmark is said to have the hardest water in Europe. Future sales are expected to increase slowly. A special synthetic liquid soap for industrial purposes has reached a considerable volume, mainly as a replacement for linseed oil soft soap.

Vegetable oils

Margarine is the basic fat product consumed in Denmark; per capita consumption is almost double that of butter and lard combined. Cooking compounds and salad oils are not important. Production of margarine last year reached about 80,000 short tons, including 15,000 tons for bakery trade. The margarine industry requires about 10,000 tons of whale oil, 25,000 tons of copra and palm kernel oil, 25,000 tons of soft vegetable oils, and small quantities of tallow. Of the soft oils, about 10,000 tons will be available from domestic rapeseed this year. And the law requires the use of 3-percent sesame oil in margarine to permit a simple distinction from butter. This leaves import requirements for about 13,000 tons of other soft oils, which probably will consist mainly of soybean oil extracted from imported soybeans. Thus, the maximum soybean requirements are in the neighborhood of 80,000 tons. With very minor exceptions, there are no imports of crude or refined oils into Denmark.

Denmark has a large crushing capacity and needs a large volume of oilcake and meal. Accordingly, soybeans are preferred as a source of soft oil because they result in a large crushing volume relative to the oil produced.

There are 2 large mills producing edible oils, each with an annual capacity of 330,000 short tons. They are equipped with hydraulic presses, expellers, and solvent extractors. The combined solvent capacity is said to be 330,000 tons. During 1952, about 250,000 tons of seeds and oil-bearing materials were crushed in these mills. In addition, there are 2 small mills with a capacity of about 25,000 tons and 50,000 tons, respectively, used mainly for crushing flaxseed.

Soybean imports during 1952 totaled about 39,600 short tons compared with 100,100 during 1951. The United States' share in 1952 was 17,160 tons; the balance came from Manchuria. One 1952 crop cargo has been received from the United States, and the crushers believe that there may be additional requirements for American soybeans during the April-June quarter. In Denmark, as in most other European countries, the policy is to use dollars only if soybeans are not available elsewhere on reasonable terms. Thus, if Manchurian beans continue to be offered at favorable prices the preference will go to Manchuria. Buyers were satisfied with the certificate of grade on the last shipment from the United States but noted that the outer coating was greenish whereas Manchurian deliveries were uniformly yellow. The green color was not nearly so pronounced as in a shipment to Germany this year and was not considered too objectionable.

FRANCE

France ranks third among the countries of Western Europe as an importer of fats, oils, and oilseeds. It imports on an average about one-third as much as the United Kingdom, which is in first place, and about two-thirds as much as Western Germany, which holds second place. During 1952, imports on a fat-equivalent basis totaled 446,000 short tons, representing a sharp drop from 1951 when the import volume reached 603,000 tons. In France, as in most of Western Europe, imports were unusually high during 1951 following the outbreak of the Korean War and correspondingly less during 1952 when stock liquidation was taking place.

In 1953 France will probably increase its imports to around 500,000 tons oil equivalent, but it is not expected to be an important outlet for United States fats, oils, and oilseeds. In the first place, the bulk of the import requirements will continue to be met from French Overseas Territories. These territories, mainly in Africa, supplied about 70 percent of the French import requirements last year. Secondly, France expects a small export balance in lard and will be roughly self-sufficient in inedible tallows and greases. Principal imports from foreign countries will consist of copra, flaxseed, whale oil, butter, peanuts, and possibly soybeans. If soybean purchases materialize, the United States would be the most likely supplier. Flaxseed sales are also possible if United States prices become competitive with those of other exporting countries.

The French use mainly butter (around 275,000 short tons) and liquid vegetable oils, expecially peanut oil, (also around 275,000 tons) for edible fats; margarine and lard are of secondary importance. Margarine production is not recorded in official publications but a leading trade source estimates 1952 output at 80,000 short tons. In addition, about 16,500 tons of hardened coconut oil were produced last year.

Margarine is manufactured mainly from coconut oil, palm oil, and whale oil. Liquid vegetable oils make up from 12 to 20 percent of the formula depending on variations in prices and the season of the year. The use of fish oil is said to be negligible. Animal fats are not used in margarine, but the industry is under some pressure from edible animal fat interests. Their idea of incorporating a limited quantity of such fats in margarine may follow from the regulations that were put into effect in the Netherlands in 1952 requiring the use of domestic lard in margarine.

Inedible animal fats

Domestic production of inedible animal fats is about in line with domestic requirements. Soap fat is obtained from domestic tallows and greases, coconut and palm oils, and vegetable fatty acids. The absence of low-priced soap fats from the United States is said to result in higher priced raw material and in higher priced soap in France than in most Western European countries.

Sales of synthetic detergents, which were introduced last November are forecast at around 20,000 short tons for 1953. In France, as in many European countries, expansion in the use of synthetics is expected to be only gradual and limited, particularly since there is a strong preference for bar soaps in many areas. Nevertheless, the producers of inedible animal fats and acid vegetable oils look upon the introduction of synthetics with some concern. Synthetics could affect the over-all export market for United States tallow if they develop to the point where France becomes an exporter of soap fats. Such exports, however, would not be competitive with United States supplies under present price relationships.

Oilseeds and oils

The Groupement National d'Achat des Produits Oleagineux (GNAPO), which has played various roles in France's war and postwar program for importing fats and oils, still retains complete control over purchases of soybeans, peanuts, and flaxseed from foreign countries. As a semi-official agency, it is the sole importer of these "primary" seeds. The so-called secondary seeds and materials, such as copra, palm kernels, sunflower and poppy, and their oils, are imported directly by the trade under Government licenses.

Because of its unfavorable foreign exchange position, France is considered one of the most difficult countries in Western Europe in which to obtain import licenses for fats and oils in any foreign currency. Yet, paradoxically, France may be a better prospect for dollar imports than several other countries. This is particularly true in the case of soybeans and possibly flaxseed because of the close ties between GNAPO and the oil mills. France, as other countries, has considerable unused crushing capacity, and there is a demand among farmers, especially poultry feeders, for soybean meal. And as indicated in other countries, soybeans are ideal because of the demand for soybean meal and the large milling volume in relation to the quantity of oil. The oil is not considered too important because of the large volume of domestic rapeseed oil, African peanut oil, and African olive oil available to France.

Soybean imports fell from 151,515 tons in 1951 to 28,998 short tons in 1952, but because of the strengthening demand for soybean meal, it is considered likely that France will purchase at least 25,000 tons of soybeans during the summer of 1953. If soybean imports materialize, they will probably originate in the United States since France is not on a trading basis with China.

French oil milling capacity has been expanded and the equipment modernized since the war. In 1938, solvent extraction capacity was around 400,000 short tons and screw pressing around 1,300,000 tons. In 1952, the mills were equipped to handle approximately 2,000,000 tons--

1,500,000 by solvent extraction and 500,000 tons in screw presses. Records or estimates were not obtained on the percentage of capacity used during 1952. However, since some 900,000 short tons of oil-bearing materials were available, the equipment was apparently used at about 45 percent of capacity.

French import requirements for flaxseed during 1953 are said to be around 65,000 short tons, exclusive of imports from overseas territories. During 1952, imports totaled 64,504 short tons (12,622 tons from territories) compared with 100,182 tons during 1951, mostly from Argentina. As in the case of soybeans, France is a potential market for flaxseed from the United States if prices are competitive.

The source of imports this year will probably depend largely on the outcome of negotiations in Argentina. The French are interested in importing flaxseed as such and opposed to the importation of linseed oil. A few thousand tons of oil have been taken from Argentina in recent years in order to obtain flaxseed there. Future contracts may depend largely on Argentina's willingness to sell flaxseed and on flaxseed prices established by Argentina. It is most unlikely, in any case, that dollars will be allocated for linseed oil, since the decision to spend dollars rests on the ability to obtain flaxseed for crushing in French mills.

WESTERN GERMANY

Western Germany consumes more than one million short tons of edible fats annually and imports about 55 percent of its requirements. Although its imports of edible fats are well below the United Kingdom's, Western Germany is perhaps the largest single factor in the world market because it has no overseas territories to provide regular supplies. The general policy is to obtain fats and oils through trade agreements or on balance-of-payment accounts. At the beginning of 1953, Western Germany had active agreements with 26 countries involving fats, oils, and oil-bearing materials. Under this system, dollar procurement becomes an exception to the rule and theoretically exists only when adequate supplies are not available in non-dollar areas. However, despite generally ample world supplies of vegetable oils for Western Germany's expanding margarine industry, American soybeans and soybean oil still holds a place in Western Germany's economy. In addition, Western Germany appears to depend on the United States for about 45,000 short tons of lard and 35,000 tons of inedible tallow and greases per year. And it is a potential market for several thousand tons of menhaden oil, and perhaps some linseed oil depending on the price policies of the United States and other exporting countries.

The early 1953 fats and oils market was mostly described as inactive, with buying limited to small lots to meet immediate needs. The trade was still smarting from the blows of the price declines in 1952 when it had to absorb a large volume of high-priced supplies received or contracted for in 1951. Some of the small margarine factories had been forced to close, and there were reports of heavy financial lossses in fats and oils. When supplies came from all the far corners of the globe, delivery time becomes an important risk element, and a falling market can mean financial ruin. No commodity exchanges are available for hedging such operations. Relatively short delivery time favors the United States somewhat and partially offsets the dollar problem. There is the added point that American fats frequently reach Western Germany through third countries with which Western Germany has a favorable trade balance.

Lard

The requirements for imported lard are said to be nearly 5,000 tons monthly. Since lard is included in trade agreements with Denmark, France, and other countries, the maximum imports from the United States during 1953 are estimated at 45,000 short tons. But the lard market became saturated early in 1953 and all import arrangements were temporarily suspended. The situation was complicated by the fact that the Government held a stock of some 35,000 tons, much of which was considerably old and which was bought at well above the current market price.

A considerable quantity of American lard has been imported under barter transactions. Lard is the only food fat which lends itself to this kind of a transaction because there is about a 25-percent spread between the New York and the Hamburg c.i.f. price. Some commodities produced in Western Germany can be sold for dollars at below the equivalent price in marks, and the loss made up by the gain in marks on lard sales. This same arrangement will not work on soybean oil, for example, because such a price spread does not exist.

Other European countries have used American lard to reduce their dollar indebtedness to Western Germany, under an arrangement known as the "transit switch." The price spread will permit straight currency switches as another arrangement. Thus, dollars do not appear to present a real problem in respect to lard procurement. It is for this reason, and because the Government has stocks to dispose of, that lard is not permitted to be purchased with the 40-percent (bonus) dollars.

Inedible animal fats

Inedible tallow and greases, as all technical fats, come under the Economic Ministry and are handled separately from the food fats. Regulations do not permit an interchange between technical and food uses. However, it is reported that some refined greases probably has been imported into Western Germany and used as food.

An analysis of the fatty acids requirements for soap making and other miscellaneous uses shows that Western Germany has import requirements for about 35,000 short tons of technical animal fats, after taking into account the fatty acids derived from vegetable oil refining and from domestic animals. It can be assumed that virtually all of this will come from the United States (directly or indirectly) and no interruption of these imports is foreseen.

Plants in Western Germany use mainly No. 2 tallow, and specialize in fat splitting and selling distilled fatty acids to soap factories in Western Germany and for export. The export business has expanded recently, probably in competition with the United States. If it continues to expand it will raise Western Germany's tallow imports above 35,000 tons, but there may be no net gain in United States exports since increased exports to Western Germany would tend to reduce exports to other countries.

The use of non-soap detergents has reached considerable proportions in Western Germany, but producers and distributors do not anticipate further rapid expansion. The production of soap powders and non-soap detergent powders of a competing grade is around 165,000 short tons annually. The official statistics do not report the division between the two classes, but the trade estimates that each accounts for 50 percent of the total. In addition, Western Germany produces about 130,000 tons of washing powders and cleansing aids on a non-soap basis. Production of bar soap, with 60 to 80 percent fatty acids is expected to total around 100,000 tons during 1953. Soap in Western Germany has recovered part of the market held by low-grade synthetics during the early postwar years.

Linseed oil

According to trade sources, the prospects for selling linseed oil in Western Germany are not very bright. Demand is said to be down sharply from prewar and from the 1951 level of imports. Building activity has slackened and the use of substitute products has increased. Linseed oil will not be wanted by the food processors for use in margarine unless the price is at least as low as fish oil. There is a tremendous potential demand for linseed oil paint, but this is not expected to materialize under present rent controls.

The market for linseed oil was described as weak during the time of the survey with buyers taking mainly small lots for quick delivery. Argentina was said to hold the key to the price situation. No one was expected to make large commitments until the lowest Argentine price was known. During February the Argentine price was about $240 per metric ton c.i.f. Hamburg, which would be equivalent to about 10 cents per pound f.a.s. New York. If free dollars were not made available to the importer, the United States might be reduced by 4 percent to pay for the currency switch.

Menhaden oil

Menhaden oil is used in Western Germany in the production of certain types of margarine as a substitute for, or to supplement, whale oil. Menhaden oil, however, is more difficult to harden than Norwegian herring oil because of higher iodine number--(150-180) against (140-150)--and it must undersell the Norwegian product by about 3 to 4 percent. Since the European fish oil sources have attempted to maintain a rather rigid price policy, the menhaden oil may continue to find a fairly substantial market on a price basis.

A large margarine manufacturer gave his specification for menhaden oil as follows:

Maximum: 3 percent free fatty acids, 1 percent impurities,
1.5 percent unsaponifiable materials;

Guaranteed: not extracted, not prebleached or pretreated,
free from mineral oil.

As a margarine oil, menhaden would normally be eligible for the bonus dollars at the current premium of about 2 percent. However, because of recent restrictions on bonus dollars for margarine oils, and the unlikely allocation of free dollars, the financing costs might range from 4 to 7 percent.

Soybeans

It is difficult to estimate the probable imports of American soybeans or soybean oil. There are many deterrents to any large-scale trading during 1953. First, trade agreement supplies and European Payments Union settlements are designed to cover most of Western Germany's soft oil requirements. And second, although margarine oils are on the list of items that can be imported with bonus dollars, licenses have been halted because the margarine manufacturers began to exhaust the supply of bonus dollars before the priority purchases of bread grains and sugar could be completed. The Food Ministry pointed out that grain and sugar must be purchased for dollars while edible vegetable oils can be obtained elsewhere.

Imports are favored, however, by the fact that industry has a great deal of respect for soybean oil (and soybean meal). It is a standard oil for margarine and certain salad oils, and except for limited quantities of, say, peanut oil, no other soft vegetable oil can command a premium over soybean oil. Soybean oil imports from China during 1952-53 have not been entirely satisfactory because the dark color will not bleach out. And while soybeans of Manchurian origin are still preferred because of their uniformly yellow color and low admixture, China is not considered a dependable source of soybeans, nor are the trading arrangements always suitable. Recent purchases include 13,200 short tons of Manchurian soybeans, but it is considered most unlikely that anything like the 1951 volume will be imported from China during 1953.

There is another problem in respect to soybeans and other oilseeds. Mills in Western Germany have a capacity for 1,600,000 tons annually and crushed about 600,000 tons of materials last year. The total capacity is solvent extraction, with expellers for pre-pressing seeds with more than 20-percent oil. To use this equipment to the maximum extent, the mills want to import seeds rather than oil. At the same time, the cake and meal market has been overstocked and prices have been falling.

It was generally reported that American soybeans from the 1952 crop came up to the standards of the grading certificates and were high in oil content. The only objection registered was in regard to a shipment of 8,800 short tons of No. 2 yellow soybeans from the United States that were predominantly "green" in outward appearance and resulted in "green" meal. With meal a difficult item to sell, the green meal meant further price discounts since German farmers objected to the color.

ITALY

Italian traders believe, with certain reservations, that the United States may expect to export 55,000 short tons of inedible tallow and greases to Italy in 1953, or about the quantity exported in 1952. Moreover, if the dollar problem can be solved, and if tallow from the United States remains lower in price than alternative fats and oils, there should be no decline from this volume for several years. Synthetic detergents in Italy will offer only limited competition for some time.

The outlook for exporting soybeans or soybean oil to Italy is most obscure. However, Italy might need to import as much as 77,000 short tons of seed oil in 1952-53, all factors considered. It can be assumed that a fair proportion of this would consist of soybeans or soybean oil. However, it appears that these needs would likely be met by imports of soybeans or oil from China.

Tallow and greases

Italy has been the largest European market for United States inedible tallow and greases in recent years. In 1952 the United States exported some 55,000 tons to this country. Tallow and greases from the United States along with coconut oil from other sources, have become the basis of the Italian soap industry. The industry's requirements are said to be about 110,000 short tons of soap fat annually, and the bulk of this must be imported. Before the war Argentina was the principal source of tallow, and palm oil was the principal imported soap fat. The Argentine tallow was higher in price than the palm oil. Now the situation has changed with United States tallow and greases underselling, and to a large extent replacing palm oil. The use of tallow is expanding also, because it has been replacing low-grade olive oil in soap. The olive oil refining techniques are said to have progressed rapidly during the postwar period with the result that even sulphur oil is refined for edible use.

Soap production probably is expanding somewhat with the increase in population and better living standards. At the same time, there is a certain amount of competition from synthetic detergents. Synthetics are produced in four or five plants in Italy, and are also imported. The small soap makers--there are about 1,000 in Italy--have expressed some alarm over this development. However, informed leaders in the soap industry, including those who produce and sell the synthetics, believe that only limited sales are possible in Italy now, and that any further expansion will come slowly. They talk in terms of 10 percent of the total market for soap and synthetic detergents combined. The factors limiting the market for synthetic detergents in Italy generally are said to be: (1) Lack of mechanical appliances in the household; (2) relatively few commercial laundries; (3) little or no experience with powdered soap to serve as an introduction to synthetic detergents; and (4) extreme reluctance of the Italian housewife to change from the use of traditional soap.

There is also the matter of some competition from New Zealand and Australia. Sterling purchases do not require licenses, and a few thousand tons of tallow are coming from these sources. Offers were reported to be fairly large. It is assumed, however, that the same offers were made to other European countries, and on this basis the quantities would not go far in meeting total European requirements. Sterling prices are about 20 percent higher than dollar prices, but the established dealers can handle this tallow because the dealers who handle United States tallow have their average costs raised by the cost of obtaining licenses and by high-cost dollars. This tends to make the tallows from the sterling and dollar sources competitive.

Soybeans and soybean oil

The outlook for exports of United States soybeans or soybean oil to Italy is difficult to appraise. A reliable analysis shows that Italy will be short about 121,000 short tons of edible seed oil in 1952-53, after taking into account this season's olive oil production, the 1952 oilseed crops and trade carryin stocks. However, the Government is reported to hold about 77,000 short tons of seed oil. If all of this oil should be disposed of on the domestic market during the crop year, import requirements would fall to 44,000 tons. But complete liquidation of the Government's stocks is considered unlikely. Nevertheless, if the Government sells some and retains, say, 33,000 tons, the import requirements would be 77,000 tons. It could be presumed that a fair proportion of the assumed import requirement of 77,000 tons would consist of soybeans or soybean oil.

While the analysis beyond this point becomes even more difficult because of the uncertain Chinese influence in the market, it appears that China will be the most liklely source of imports in 1953. Italy's imports of fats and oils from China were substantial in 1951 but fell off sharply in 1952. An economist for the Italian fats and oils trade felt, however, that there was a basis for a substantial trade with China developing again. He made the observation that it is most difficult now to estimate world availabilities of fats, oils, and oilseeds because China does not offer its surplus, but rather makes offers in terms of its needs for sterling, or commodities from the Western world.

THE NETHERLANDS

In the Netherlands price and quality are the major determinants in the procurement of fats, oils, and oilseeds. Dollars are a consideration, but are not a serious limiting factor. The Dutch are important processors of oilseeds and fats for other European countries, and dollars have generally been authorized for imports if a given product is modified to any degree in Dutch plants for re-export. Moreover, in addition to dollar procurement for domestic consumption, considerable tonnages of fats and oils have been financed through currency switches for diversion to other countries, chiefly Western Germany.

The fats and oils pattern in the Netherlands in 1953 probably will not change significantly as a result of the disastrous flood on February 1, which had a serious impact on Dutch agriculture. Nor has the production of synthetic detergents yet reached a stage where it has any appreciable effect on the market for soap fats. Some change may result, however, from the changed stock position. Stock figures have not been made available, but the Dutch apparently carried over large stocks of fats and oils into 1952 as a result of the high level of imports during 1951. During 1952, imports were less than in 1951 and exports greater so that considerable stock liquidation took place. Presumably stocks were near normal at the beginning of 1953.

The Netherlands produces considerably more butter than it consumes and exports a large part of its production. Consumption of butter is relatively low because of the emphasis on margarine. During 1951-52, Dutch butter production totaled some 83,000 short tons and 55,000 tons were exported, primarily to Belgium.

Lard

Lard, which is also produced in surplus quantity, is exported primarily to Western Germany. Pure lard production in the Netherlands is around 17,000 short tons annually and domestic consumption around 2,800 tons. The unusually low rate of lard consumption is explained by a long-established consumer preference for margarine. The sharp decline in lard prices in Western Germany, due to imports of low-priced United States lard, has left the Dutch, like the Danes, with a lard marketing problem. As a result of reduced sales to Western Germany, stocks began to accumulate during 1952, and the Dutch Control Board for Margarine, Fats, and Oils subsequently issued a regulation requiring the use of lard in margarine to the extent of 5 percent of the total fats used. This presumably will absorb about 8,200 tons of lard per year and remove the surplus above the small quantities that continue to be exported.

Margarine, salad oils, and vegetable compounds

The Netherlands manufactures and consumes a large quantity of margarine, and most of the raw materials used in its production are imported. Based on preliminary estimates, about 160,000 short tons of fat were used in the 200,000 tons of margarine produced and consumed in 1952. The fat composition of the margarine varies somewhat with the season, and can be varied over a considerable range of fats depending on availability and relative prices. At present margarine consists of about 60 to 65 percent coconut, palm kernel, and palm oils; 15 percent whale oil; 5 percent lard; and 15 to 20 percent liquid vegetable oils. Thus, the margarine requirement for liquid oils is around 30,000 tons annually. Salad oils and vegetable compounds probably raise the total soft oil requirement to about 45,000 tons. Home-grown rapeseed provided some 11,000 tons of oil during 1951-52, but the 1952 crop is down sharply so import requirements for soft oils in 1953 may be around 38,000 tons if no stock adjustments are taken into account.

Soybeans

There is no predetermined basis for arriving at what portion of the soft oil import requirements will be met by soybeans and soybean oil during 1953. All oilseeds and vegetable oils enter into the picture, and soybeans compete on a price basis with sunflower seed, rapeseed, mustard seed, poppy seed, sesame seed and other oilseeds and oils except some peanut oil for which a premium is paid. On an equal price basis, non-dollar sources have a natural advantage. However, when there is any economy or advantage in dollar procurement, the dollars seem to be forthcoming not only for the requirements of the Netherlands, but for financing purchases of fats and oils for other countries, especially Western Germany.

Within this general framework of competitive supplies from other sources, there rests a genuine interest in soybeans. The Dutch bought three cargoes of 1952 crop soybeans from the United States and indicated the possible purchase of two more cargoes before the next harvest. Soybeans are ideal for most European countries because they provide a large milling operation relative to the oil produced. This helps absorb the overexpanded milling capacity, and at the same time provides the maximum quantity of meal. To import soybeans from the United States, or any other source, the milling must be profitable in terms of the oil and meal values. The meal market in the Netherlands has weakened with the general trend in Europe, but the flood damage may cause a firmer market as the season progresses. A recovery of the meal market would, of course, increase the demand for soybeans.

Possible imports from the United States are always conditioned by the availability and prices of Manchurian soybeans. It is reported that a cargo of unsold Manchurian soybeans afloat was purchased by the Dutch through Hungary at £42 5s. per metric ton ($107.32 per short ton) c.i.f. Rotterdam, delivered weight, maximum 2 percent admixture. The price, the quality, and the currency were all said to favor this purchase over United States offerings. If there was no price disadvantage, however, it is believed that United States soybeans would be preferred because of better trading relationships and faster delivery schedules.

Crushing capacity in the Netherlands is estimated at 1 million tons annually. Of this, from 195,000 to 220,000 short tons can be treated by the solvent process. In general, soybeans and rapeseed are subjected to the solvent extraction process while copra, palm kernels, and flaxseed are processed with expellers and hydraulic presses. The volume of oil-bearing materials processed dropped from 440,000 tons in 1951 to some 330,000 tons in 1952.

Inedible tallow and greases

Imports of inedible tallow and greases for domestic use totaled about 15,000 short tons last year, virtually all of which came from the United States. A similar, or possibly larger, volume is expected to be imported in 1953, inasmuch as soap production may be higher than in 1952 when output and sales suffered because of stocks acquired by consumers during 1951. Under present price relationships, nearly all of this year's imports will originate in the United States.

In the year that synthetic detergents have been on the market they have tended to replace soft soaps, which are not made from animal fats. Thus, although sales of non-soap powders have been important, the total displacement of fatty acids is probably not more than 5 percent.

Flaxseed and linseed oil

In the Netherlands as elsewhere in Europe, the demand for flaxseed and linseed oil was described as weak. Heavy stocks were acquired in 1951 for food purposes with the intent of hardening the oil for use in margarine if the situation warranted. Since the necessity for this did not develop, the oil has become available for technical purposes and for export. As a result of small export demand, there are large supplies on hand in the Netherlands and, therefore, little new demand for imports. Linseed oil import quotations in Rotterdam were the equivalent of $245.00 per metric ton ($222.22 per short ton). Both United States seed and oil were priced out of the market, according to local importers.

Fish oils

It was stated that fish oils are not used in No. 1 margarine in the Netherlands, but they are normally hardened and used with whale oil, or as a substitute for whale oil, in No. 2 margarine. Some menhaden oil may be imported from the United States for this purpose if price and quality are right. Also, the Netherlands has had a substantial export business in hardened fish oils, particularly with margarine manufacturers in Western Germany and the United Kingdom.

Dutch processors repeated the comparisons heard elsewhere that menhaden oil ranks below herring and pilchard oils as a desirable margarine oil. However, if the iodine content is in the lower range, and if free fatty acids and impurities are within the standards for edible oil, there is no basic objection to the menhaden oil. It merely has to compete with other fish oils that are preferred for hardening purposes, and procurement becomes a matter of price.

SPAIN

Neither soybean oil nor any other vegetable oil is likely to be imported into Spain in either 1953 or 1954 unless large quantities of olive oil are exported, which appears unlikely.

At the end of the crushing season for the 1952 olive crop, both official and trade sources estimated production of oil at considerably less than the midseason forecast of 300,000 short tons, compared with the all-time record output of 770,000 tons a year earlier. What is important, however, is not the volume of production but the fact that Spanish Government officials apparently believe that domestic supplies of olive oil are in balance with domestic requirements for the 1952-53 season. And if the olive crop makes its expected cyclical recovery in 1953, following the "off-year" in 1952, supplies of olive oil should be sufficient for domestic requirements in 1953-54. Annual domestic consumption of olive oil in Spain has been estimated at nearly 400,000 tons.

Only if exports of olive oil from Spain should be large this year would it be necessary to import soybean oil, or some other vegetable oil. But large exports are considered unlikely for two reasons: First, Spain is not particularly interested in exporting olive oil except at prices higher than those now prevailing in world markets. Exports in drums were halted in about mid-January presumably because of low prices and apprehension about the relatively tight supply situation that could develop in Spain.[1] Moreover, there would be no economy in exporting at present low world prices and then importing other oil. Secondly, the Spanish people are not particularly fond of soybean oil, nor blends containing soybean oil. For internal political reasons, therefore, it would be difficult to justify soybean oil imports when consumers knew that olive oil was being exported at no pronounced financial gain to the country.

There seems to be general agreement that this season's olive oil is of low quality. Therefore, considerable refining will be necessary and refining losses from the over-all operations may amount to 11,000 tons or more. All refined oil is used for blending with virgin oil--which is a high-quality, cold-pressed oil--and the product is sold as "pure" olive oil. Some refined oil has been exported to the United States in 200-liter (about 400 pounds) drums and presumably blended in the States. If no refined oil is added, the product is sold as "virgin" oil.

Domestic oil is distributed through the trade in 650-liter (1,300 pounds) drums. And since the use of tin plate is not allowed for the home market, the consumer furnishes the container. This permits low distribution cost under a ceiling price of 12.10 pesetas per liter of oil.

A few dealers questioned about the trend in per capita consumption of olive oil in Spain stated it is too soon after the termination of rationing to measure it.

The Government has attempted to fix the export price above the domestic price. But the fixed price has not always been the effective price because "kick-backs" have lowered the actual returns to shippers to near the domestic price level. Spanish traders, through competitive devices, apparently have tried to win markets by undercutting the fixed export price and the prices of their competitors. This practice, according to Spanish officials, has driven the world price downward and, while it may have reduced returns to Italy and Tunisia, it has reacted also against Spain's interests. This situation was basic to the decision to discontinue the granting of new licenses for bulk exports.

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[1] Reopened in mid-May 1953.

Olive oil is the king of edible oils in Spain. In fact, there are no available records on the production of other vegetable oils. And no other oil is believed to be of importance for edible purposes. Because olive oil is so important in Spain, the domestic market for it is protected in many ways. It was even said that cottonseed oil is reserved for industrial uses.

Table 5.--Olive Oil, edible and inedible: Imports into the United States, by country of source, average 1935-39, annual 1949-52

(Short tons)

Country of source	Average 1935-39	1949	1950	1951 1/	1952 1/
			Edible oil		
Algeria	126	170	62	11	1
France	2,432	115	983	305	1,508
French Morocco	3	1,042	133	-	9
Greece	2,452	36	29	20	16
Italy	15,766	4,752	12,207	5,518	7,078
Portugal	183	108	89	28	53
Spain	8,787	2,921	22,383	13,659	12,953
Syria and Lebanon	18	134	88	2/	-
Tunisia	1,600	446	3,597	546	999
Turkey	-	272	18	60	77
Other countries	38	28	55	61	94
Total	31,405	10,024	39,644	20,208	22,788
			Inedible oil		
Algeria	3,996	-	-	21	-
France	51	-	4	-	42
French Morocco	37	22	37	44	-
Greece	5,505	14	50	-	-
Italy	1,868	1,422	181	-	-
Portugal	1,930	-	2,914	1,770	1,101
Spain	2,144	4	84	77	74
Syria and Lebanon	134	81	84	-	-
Tunisia	1,975	19	1,028	27	4
Turkey	37	-	-	-	-
Other countries	47	-	-	-	-
Total	17,724	1,562	4,382	1,939	1,221
Total edible and inedible	49,129	11,586	44,026	22,147	24,009

1/ Preliminary.
2/ Less than .5 ton.

Source: Bureau of the Census.

SWITZERLAND

The possibility of the United States exporting fats and oils to Switzerland in 1953 appears to be limited largely to inedible animal tallow and oils. The Swiss annual import requirement probably will continue at about the present level of 6,600 to 7,700 short tons so long as prices of tallow and greases remain low relative to prices of other soap fats. It is not likely that the Swiss market for tallow and greases will expand.

Prospects for United States exports of soybeans and soybean oil to Switzerland in 1953 are not bright. In fact, indications are that neither the United States nor China will find a soybean market there. The greatest demand is for coconut oil. The preferred soft oil is peanut oil, followed by sesame and sunflower seed oils. However, some cottonseed oil would be used there if it were priced low enough.

Switzerland continues to have but little interest in lard.

Tallow and greases

The United States accounted for more than 96 percent of the inedible tallows imported into Switzerland in 1952. Imports into Switzerland last year totaled 5,203 short tons. It is believed that again in 1953 the great bulk of the imports will come from the United States, despite competitive offers from New Zealand and Australia.

Increased sales of tallow and greases to Switzerland are limited not only by the size of the market but also by the nature of the soap market. Soap powders made largely from palm oils and other vegetable fats take about 45 to 50 percent of the laundry soap market. And synthetic detergents now account for 10 percent of the total sales of both soaps and synthetic detergents. Toilet soap is the only product containing a substantial proportion of inedible tallows. And in making high-quality toilet soap, one importer states that the Swiss prefer tallow which has not been denatured.

Expansion of synthetic detergent sales beyond the present level will come slowly. Certain soap powders are so well established that consumers will not change readily. And only soaps are suitable for boiling laundry, a practice followed at least once a month in Switzerland. It may take another 5 years for synthetic detergents to gain as much as 20 percent of the market.

Vegetable oils

Refiners of vegetable oils view the expansion of synthetics with some concern since it will reduce the market for soap stock residues.

In Switzerland the principal edible fats other than butter are vegetable oils, virtually all imported. Cooking fat is chiefly hardened coconut oil which is sold in the form of bars, frequently with butter added up to 10 percent. Accordingly, coconut oil is in greatest demand. Export statistics from the Philippines probably do not fully reflect shipments to Switzerland, because consignments to Italy and the Netherlands, for example, are sometimes diverted to Switzerland.

Peanut oil, preferred to other soft oils, is used mainly in table and salad oils, since margarine is not important in Switzerland. Only about 6,000 short tons of margarine are produced annually, and all but a few hundred tons are sold to the baking trade. In general, margarine is not used as a substitute for butter either in cooking or table use.

When peanut oil is too high in price or is not available, sesame oil is the preferred oil, followed by sunflower seed oil. China is said to have offered a considerable quantity of sesame; and sunflower seed is reported available both from Argentina and Eastern Europe. This leaves cottonseed and soybean oils as residual choices. The Swiss believe some refined or semi-refined cottonseed oil would be used here if the price were below peanut, sesame, and sunflower oils. However, there is no market in Switzerland for soybean oil because the margarine industry is small and soybean oil is not acceptable for table use.

UNITED KINGDOM

The United Kingdom is almost wholly dependent on foreign sources for all categories of fats and oils and is, by far, the world's leading importing nation. During 1952, imports of fats, oils, and the oil equivalent of oil-bearing materials totaled 1,692,200 short tons, and supplied over 90 percent of requirements. Domestic production, mainly tallows, butter, and lard, was in the neighborhood of 60,000 tons, and the British whaling fleet produced about 90,000 tons of whale and sperm oil.

Despite its large imports, the United Kingdom is a relatively unimportant outlet for United States surplus fats and oils other than lard. The bulk of the United Kingdom's requirements for fats and oils is met by supplies from Commonwealth areas; the balance comes mainly from non-dollar foreign countries such as Argentina, China, Denmark, Norway, and the Belgian Congo. During 1952, for example, British areas supplied 72 percent of the imports; the United States accounted for 5 percent; and other foreign countries supplied the remaining 23 percent.

Lard

Lard is the only fat of consequence imported with United States dollars. The rate of imports has varied rather sharply in recent years, depending on the availability of other food fats in British areas and on the dollar allocations available to the Oils and Fats Division of the Ministry of Food. Lard imports, virtually all of which came from the United States, are shown below for selected years:

Year	Short tons
1938	81,270
1948	11,433
1949	38,668
1950	2,072
1951	100,198
1952	66,025

The actual "in and out of the market" aspects of lard purchases in the United States were even more pronounced than these yearly import records indicate. An examination of monthly lard export data from the United States to the United Kingdom shows that the 1949 exports occurred (mainly) during the April-July period and there were no exports between August 1949 and January 1951, except for November 1950. Record shipments during March-December 1951 and January-May 1952 accounted for the high totals during 1951 and 1952. From June to October 1952 no lard was exported to the United Kingdom.

Since November 1952 the Ministry of Food has used the dollars earned from the sale of palm kernel oil in the United States for the purchase of lard. This arrangement, which remains in effect, had accounted for some 13,200 short tons of lard imports by mid-March 1953. It is understood that the Ministry is authorized to continue to sell palm kernel oil if there is a satisfactory market in the United States, and that all dollars earned in this way are set aside for lard purchases. Palm kernel imports into the United Kingdom, mainly from Nigeria, average nearly 500,000 short tons per year, equivalent to 225,000 tons of oil. It is not known how much of this oil might be offered by the Ministry or how much might be purchased in the United States, but a continuation of sales at the present rate could easily account for 25,000 tons of lard during 1953.

As measured by recent export records, the United Kingdom's requirements for United States lard might run as high as 75,000 to 100,000 short tons per year. Present stocks in the United Kingdom are believed to be low, since lard is placed on ration as it is received, and no substantial quantities have been imported in the past 12 months. However, any procurement above that financed by palm kernel oil exports is indefinite as to timing and most uncertain as to quantities. It would necessarily rest on an allocation of dollars to the Food Ministry for lard purchases, and there is no immediate indication that such an allocation will be made within the British Government.

If the dollar problem can be solved, it is generally accepted that the United Kingdom would again become an important outlet for United States lard. It is repeatedly asserted that the British have a strong preference for lard over other cooking fats available to them and that this preference would likely endure even though imports were restricted for a time because of the dollar shortage. It also happens that the price of United States lard is attractive and fits well into the British program of holding down the cost of living, and at the same time minimizing the cost of consumer subsidies.

As evidence of the position American lard holds in the United Kingdom, the Ministry of Food has gone on record as indicating that all dollars that become available to it for fats and oils will be spent for lard. All lard is purchased in 56-pound boxes, divided into 28-pound units. This package has long been the established method of distributing lard through the retail trade. Retailers are generally equipped with a lard cutting device that divides the 28-pound blocks into one-half pound units, and the lard is wrapped locally. Advertised brands in cartons were introduced by two American packers just before the war but then advertised brands were banned after the Ministry of Food took over purchasing and distribution. Packers indicated that they plan to reintroduce imported lard in cartons as soon as brand names are permitted.

Inedible animal fats

If the Ministry of Food continues as the sole buyer of fats and oils, the United States cannot expect to sell much inedible tallow and greases, or other fats and oils to the United Kingdom because of the commitments in favor of lard. Stocks of tallow are said to be considerable, and additional quantities can be obtained from Australia and New Zealand with payment in sterling. Fat consumption in soap is reported to be around 330,000 short tons annually compared with 385,000 tons during prewar years. The reduction of 55,000 tons, or one-fifth, roughly measures the extent to which non-soap detergents have replaced fats in soap.

The production of soap in the United Kingdom is still based primarily on vegetable oils. In 1951, the last year for which detailed records were obtained, vegetable oils, mainly palm oils, made up 272,000 tons, or about 80 percent, of the 326,000 short tons of fats and oils used in soap. In contrast, most of the other Western European countries have tended to replace palm oil with inedible tallow and greases from the United States as the basic soap fat.

Vegetable oils and oilseeds

During 1952, the United Kingdom imported 1,351,758 short tons of oil-bearing materials, yielding 564,409 tons of oil. This was about the same as in 1950 and about 10 percent above 1951. Based on the tons of raw material, the most important items were palm kernels (501,187), peanuts (370,718), copra (187,833), and cottonseed (161,255). Soybeans were relatively unimportant at 22,770 short tons. In round numbers, oilseed crushing capacity is said to be 1.5 million tons annually, indicating a utilization of just under 40 percent during 1952. One-third of the oil mill capacity is in solvent extractors.

Additional 1952 imports including 484,312 short tons of vegetable oils, 220,671 tons animal and marine oils, and 422,808 tons of finished edible fat products, mainly butter and lard.

During 1951 (1952 figures not available) the United Kingdom produced 492,000 short tons of margarine and used 414,000 tons of margarine oils in the following proportions: palm oils, 56 percent; liquid vegetable oils, 30 percent; and whale oil, 14 percent. During the same year 236,000 tons of oils were used in the production of vegetable (cooking fat) compounds in the following proportions: liquid vegetable oils, 40 percent; whale oil, 33 percent; and palm oils, 27 percent. These percentages indicate that the United Kingdom probably uses proportionately more liquid oils in margarine and cooking fats than the general average for Western Europe.

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